Stablecoins as Private Digital Dollar Money: Design, Economic Effects, and Implications for Investors

Roland Rupprechter[1]

August 2026

Abstract

This paper introduces the economics of stablecoins — digital units of value on blockchain foundations whose price is pegged to a sovereign currency, in practice almost exclusively the US dollar. It examines their origins, purpose, and design; their relation to cash, bank deposits, cryptocurrencies, and central bank digital money; their practical uses for private investors and firms; and their macroeconomic effects on the monetary system, interest rates, and inflation.

With roughly $290 billion outstanding and annual transfer volumes above $30 trillion (2025), the market has reached a size that matters for monetary policy: the largest issuer holds more US Treasury securities than Germany, inflows into stablecoins measurably depress the yields of short-dated Treasuries, and with the GENIUS Act (2025) the United States has anchored the product in federal law — recognizably also with the aim of supporting worldwide dollar demand and the financing of the American budget. Europe answers with the MiCAR regulation and the digital euro project.

For investors, the stablecoin is a means of payment and settlement, not an investment product: it carries no issuer interest, enjoys no deposit insurance, and bears issuer, reserve, and custody risks, as the de-peg events examined here show. Whoever verifies the issuer's legal home, the quality of the reserves, and his own custody arrangements receives in exchange a dollar balance transferable worldwide around the clock at costs near zero — useful for payments, settlement, and cash

[1]Roland Rupprechter, Economic Research, R&B Wealth Management, Kreuzgasse 1a, 6850 Dornbirn; Member Austrian Association for Financial Analysis and Asset Management. Email: roland.rupprechter@rbvm.at.
Statement on the use of AI tools: This paper was produced with the selective use of the AI tool Claude (Anthropic). The core elements of the content – including the research question, the objective, the methodology, the data analysis, all calculations, as well as the specialist knowledge and the layout – were produced entirely independently by the author. Under the author's guidance, Claude served as an assistant tool to support research, shorten text, verify derivations and cross-check sources. Some AI-generated text passages were thoroughly reviewed by the author and only incorporated once the content objectives had been met. Finally, the system was used for proofreading (spelling and academic style). The author takes full responsibility for the content of the paper.

management in the crypto sphere, unsuitable as a substitute for the insured bank account.

Keywords: Stablecoins · Digital money · Blockchain · Payments · U.S. Treasury securities · Monetary policy · MiCAR · GENIUS Act.

JEL codes: E42, E51, E58, F33, G21, G23, G28, O33.

Non-Technical Summary

A stablecoin is digital money on a blockchain whose value is fixed to a conventional currency — almost always the US dollar. One unit is meant to be worth one dollar at all times and to be convertible back into one dollar on demand; to that end the issuer holds, for each unit issued, one dollar in safe assets, chiefly short-dated US government paper. Stablecoins such as Tether (USDT) and USD Coin (USDC) thereby combine the fixed value of familiar money with the speed of the internet: transfers travel worldwide in seconds, around the clock, for a fraction of the usual fees.[2]

The principle was invented in 2014 out of a practical need of crypto trading: whoever sold bitcoin wanted to "park" the proceeds without the detour through a bank account. Out of this grew a market of roughly $290 billion that long ago outreached crypto trading: firms settle cross-border payments, people in countries with weak currencies protect their savings from inflation, and the carmaker DeLorean takes deposits for its new model in USDC.

The United States gave stablecoins their own statute in 2025, the GENIUS Act — deliberately choosing private digital dollar money over a central bank digital currency of its own. The fiscal background: every new stablecoin dollar must be backed with US government securities and thus finances the American state. The largest issuer, Tether, already holds more US Treasuries than Germany. Europe is taking the opposite path and is preparing, with the digital euro, a public counterpart (2029 at the earliest).

Important for investors: a stablecoin is a means of payment, not an investment. Under American as under European law the issuer may pay no interest; substitutes exist only through detours — reward programs of platforms or lending in the crypto market — which always carry additional risks. There is no deposit insurance: if the issuer founders, only the reserve stands behind the claim. History records harmless price wobbles as well as the total loss of the "algorithmic" TerraUSD in May 2022, with roughly $40 billion destroyed.

The practical conclusion: for payments, settlement, and short-term cash management in the crypto sphere, stablecoins are a useful, fast, and cheap medium — bought through regulated exchanges, held there or in a wallet of one's own. They do not replace the insured bank account or the money market fund; whoever holds them should look to regulated issuers, transparent reserves, and a clean custody arrangement.

[2] The paper is written for investors without prior knowledge; all technical terms are explained in the text.

Contents

1 Introduction

Hardly any corner of finance has risen from curiosity to monetary-policy significance as quickly as stablecoins. In August 2026, digital dollar units worth roughly $290 billion are in circulation; the associated blockchains settled transfers of more than $30 trillion in 2025 — more than the large card networks moved over the same period. The largest issuer, the company behind the Tether dollar, now holds more American government securities than the Federal Republic of Germany and earned a profit of $1.5 billion in the second quarter of 2026 — with a product that promises its holders no interest whatsoever.[3]

At the same time, the stablecoin has become an object of high politics. The United States dedicated a federal statute to it in July 2025, the GENIUS Act, and simultaneously prohibited by executive order the development of an American central bank digital currency — a deliberate decision in favor of privately issued, federally regulated digital money whose backing rules channel every new unit into demand for US government securities. Europe, with the Markets in Crypto-Assets Regulation (MiCAR) and the digital euro project, is taking the opposite path. Between these two orders it will be decided whose money shapes the digital economy of the coming decade.

The academic literature has by now examined the phenomenon thoroughly. Gorton and Zhang (2023) read stablecoins as the return of the private banknote era of the nineteenth century, complete with its vulnerability to runs; Catalini, de Gortari, and Shah (2022) develop the basic economics of the business model; Lyons and Viswanath-Natraj (2023) show how arbitrage holds the peg; Ahmed and Aldasoro (2025) demonstrate for the first time that stablecoin inflows measurably depress the yields of short-dated US government paper. The Bank for International Settlements (2025), for its part, disputes that private tokens can ever fully satisfy the requirements of genuine money.[4]

This paper pursues a practical aim: to introduce the investor to the stablecoin — what it is, who invented it, what purpose it serves, how it works, how it differs from fiat money, from cryptocurrencies, and from central bank digital money, where it can be bought and held, whether it bears interest, what benefit private investors, firms, and the economy draw from it, and what opportunities and risks it carries compared with familiar money. The account joins the academic literature with the market and legal position as of August 2026 and issues in concrete implications for asset management.

For the readers of this series the subject matters also because it lies athwart the familiar asset classes. The stablecoin is not a security one subscribes to, and not a currency one speculates on; it is infrastructure — and infrastructure is usually noticed only once it has become either indispensable or dangerous. Both are taking shape here: indispensable as the

[3] Outstanding volume: roughly $288–308 billion depending on delimitation (August 2026); 2025 transfer volume $28–62 trillion depending on adjustment. Tether: attestation as of June 30, 2026.

[4] For an overview of regulatory questions see Aldasoro et al. (2025); on the effect on banks, Liao and Caramichael (2022).

settlement medium of a growing digital economy, dangerous as uninsured private money with contagion paths into the money market. An informed investor should therefore know both — the benefit in use and the limits in holding.[5]

The paper is structured as follows. Section 1 — the present one — introduces the question and the literature. Section 2 treats concept, origins, design, and market structure. Section 3 distinguishes the stablecoin from cash and bank deposits, from bitcoin and the other crypto-assets, and from central bank digital money, and draws historical parallels. Section 4 describes uses and practice, including purchase, custody, and interest. Section 5 examines the macroeconomic effects on government finance, banks, interest rates, and inflation. Section 6 weighs opportunities and risks from the investor's standpoint against fiat money, and Section 7 concludes with a summary and outlook.

2 What Stablecoins Are: Origins, Purpose, and Design

2.1 Concept and History

A stablecoin is a digital unit of value kept on a blockchain whose price is held stable, through backing or rule-binding, to a reference — in practice almost always the US dollar. It is thus the attempt to join the technical properties of cryptocurrencies (worldwide transferability in minutes, availability around the clock, programmable settlement) with the value stability of sovereign money. In law it is neither a bank deposit nor legal tender, but a claim on a private issuer or on a deposited reserve.

The principle was invented not by states or banks but from within the crypto scene — in 2014, several times over. The first is considered to be BitUSD on the BitShares platform of the developers Daniel Larimer and Charles Hoskinson (July 2014), followed by NuBits (September 2014); both constructions later lost their pegs and disappeared. Lasting influence came from the project started in the same summer as "Realcoin" by the entrepreneurs Brock Pierce, Reeve Collins, and Craig Sellars, renamed Tether in November 2014: a plain token fully backed by dollar reserves, issued at first over an auxiliary layer of the Bitcoin system and closely tied to the trading platform Bitfinex. There followed the crypto-overcollateralized DAI of the MakerDAO project around Rune Christensen (2017) and USD Coin (2018), founded by Circle and Coinbase as the more regulated answer to Tether.[6]

The original purpose was concrete: crypto exchanges had no reliable access to the banking system, and traders needed a way to park proceeds between two transactions at stable value without leaving the blockchain world. The stablecoin thus became the cash

[5] The umbrella term "crypto-assets" of the European regulation expressly includes stablecoins; economically they nevertheless form a class of their own between money and securities.

[6] The impetus of Facebook's world-currency project Libra/Diem (2019 to 2022) failed against regulatory resistance but accelerated legislation worldwide — the European MiCAR, too, traces substantially to it.

balance and unit of account of crypto trading — to this day most trading pairs run against USDT or USDC rather than against dollars in bank accounts. Out of this auxiliary function has grown, step by step, an independent means of payment whose circle of users — Section 4 shows it in detail — long ago outgrew crypto trading.

2.2 Issuance, Redemption, and the Economics of the Issuer

The basic operation of a backed stablecoin is of striking simplicity. Whoever wants new units wires dollars to the issuer; the issuer credits the same number of tokens on the blockchain ("minting") and places the dollars received into the reserve — under the new rules of both jurisdictions, exclusively in bank balances, short-dated government paper, and comparably liquid assets at a ratio of at least 1:1. Whoever returns tokens receives dollars at par, and the units are destroyed. If the exchange price deviates from the dollar, arbitrage restores the peg: if the token trades below one, traders buy it cheaply and redeem at one; if above, they have new units minted and sell them. Lyons and Viswanath-Natraj (2023) show that this adjustment works the more reliably, the more open the access to minting and redemption is.[7]

This also names the business model, for the issuer keeps the entire return on the reserve: it takes in non-interest-bearing liabilities and invests them at interest — with short-dated US government paper yielding around 4 percent, an extraordinarily profitable trade corresponding to the classic central-bank profit, seigniorage. Tether earned in this way an annual profit of roughly $13 billion in 2024 and $1.5 billion in the second quarter of 2026 alone — with scarcely more than a hundred employees. For the investor a first, central insight follows: the stablecoin is built so that the interest accrues to the issuer and not to the holder; holding large balances means a running forfeit of income equal to the money market rate.[8]

The quality of this construction stands and falls with the reserve. USDC is attested monthly and holds its funds predominantly in a BlackRock-managed money market fund of US government paper; Tether publishes quarterly attestations by an accounting firm but has to this day presented no full audit, and historically held at times substantial shares in corporate bonds and secured loans — which in 2021 led to settlements with the New York Attorney General and the futures regulator CFTC. The new statutes on both sides of the Atlantic take aim precisely here: narrowly defined reserve assets, segregation from the issuer's own property, continuous disclosure, and a redemption claim at par.[9]

[7] At the market leader, direct redemption is reserved to large clients from $100,000; retail investors trade via exchanges. The GENIUS Act and MiCAR make redemption at par within short deadlines mandatory.

[8] Attestation as of June 30, 2026 (BDO): assets $187.75 billion, liabilities $183.64 billion, buffer $4.11 billion; in addition more than 146 tonnes of gold.

[9] Settlement with the New York Attorney General ($18.5 million, February 2021) and CFTC fine ($41 million, October 2021), each for inaccurate statements about the backing in earlier years.

A numerical example makes the process concrete. A Viennese firm owes a supplier in Buenos Aires $50,000. By the bank route, the payment passes through correspondent banks, costs — depending on the path — €25 to more than €200 plus exchange margins, and reaches the recipient after one to five business days. By the token route, the firm buys 50,000 USDC on its trading platform, transfers them for network fees of a few cents to the supplier's wallet — duration: seconds, Sunday evening included — and the supplier exchanges them in the local market for pesos or keeps them as a dollar balance. In all likelihood nothing is minted or redeemed at all: most tokens merely change hands; minting and redemption operate in the background as the quantity valve that adapts the supply to demand.[10]

2.3 Types of Stablecoins

Table 1 orders the construction types by backing principle. Fiat-backed tokens on the model of USDT and USDC dominate the market by a wide margin and are the only type that the GENIUS Act and MiCAR admit as payment stablecoins and e-money tokens respectively. Alongside them, crypto-overcollateralized constructions such as DAI hold their ground, in which pledged crypto assets with a marked safety margin provide the backing, as do newer synthetic models such as Ethena USDe, which replicate the dollar value through market-neutral futures positions. The fourth genus — "algorithmic" stablecoins without backing — has been practically extinct since the collapse of TerraUSD in May 2022; Section 6.1 returns to it.

Table 1: Types of stablecoins with examples and typical risks

Type	Backing	Examples	Typical risks

[10] Network fees depend on the blockchain used; on modern systems (Solana, Base, Sui) they lie in the sub-cent range, on Ethereum higher depending on congestion.

Fiat-backed	bank balances and short-dated government paper at a ratio of at least 1:1	USDT, USDC, PYUSD, USDG, EURC	issuer and reserve risk; redemption halts in periods of stress
Crypto-overcollateralized	pledged crypto assets with a marked buffer (often 150 percent and more)	DAI, USDS, GHO	collapse of collateral values; forced liquidations in market crises
Synthetic (derivatives-based)	crypto assets plus offsetting futures positions (market-neutral construction)	USDe (Ethena)	basis and counterparty risk; funding rates can turn negative
Algorithmic (unbacked)	no reserve; quantity rule against a sister currency	TerraUSD (collapsed 2022)	loss of confidence triggers a downward spiral to total failure
Commodity-backed	physical gold in custody	XAUT, PAXG	no dollar anchor; commodity price swings; custody chain

Notes: Classified by the dominant backing principle; hybrids occur.
Sources: BIS (2025); issuer disclosures; own compilation.

For investors the distinction is no formality but the first risk check: behind the same quoted "one dollar" may stand an attested government-bond reserve, a basket of volatile crypto assets, a derivatives strategy, or — historically — nothing at all. The label "stable" is a promise of the issuer, not a property of the technology.

2.4 The Market in August 2026

Figure 1 traces the growth of the market: from a few billion before 2020, through the crypto boom of 2021 and the setback after the Terra collapse of 2022, to the new, regulation-driven expansion since 2024 that carried the outstanding volume to a peak of $322 billion in May 2026. Table 2 breaks the stock down by issuer. Striking are the high concentration — USDT and USDC combine roughly 88 percent — and the almost complete dollar orientation: about 99 percent of the outstanding volume hangs on the US dollar, while euro stablecoins remain marginal despite MiCAR authorization. Soberly viewed, the stablecoin market is a privately operated offshore branch of the dollar area.[11]

[11] Roughly 269 million blockchain addresses held stablecoins in mid-2026; about two thirds of the outstanding volume is attributed to emerging markets.

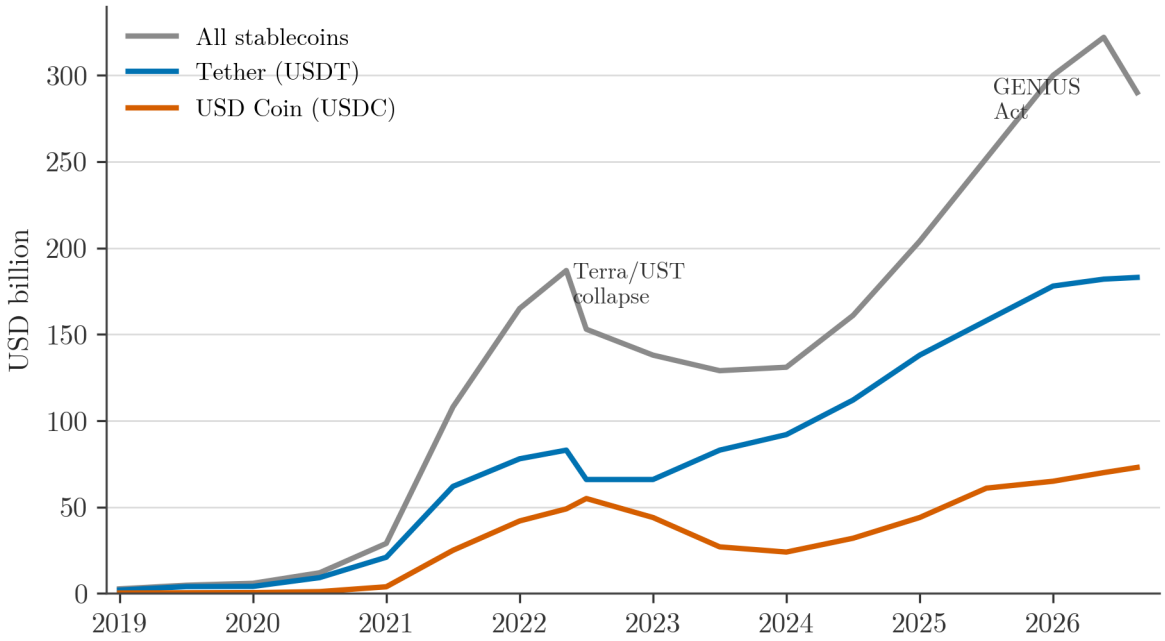


Figure 1: Market capitalization of all stablecoins and of Tether (USDT) and USD Coin (USDC), 2019 to August 2026. Half-yearly values, partly interpolated; additional 2026 observations. Sources: market aggregators (CoinGecko, DefiLlama); own presentation.

Beside the stock, the market's size shows in its turnover — the truly astonishing figure: the blockchains carried stablecoin transfers of roughly $33 trillion in 2025 — after adjusted counts that filter out reshuffling and automated trading, still distinctly more than the large card networks settle in a year. At the same time the composition counsels sobriety: only a small single-digit percentage falls on payments in the real economy; the rest is trading, arbitrage, and cash management within the crypto system. The stablecoin is thus already a great settlement machine — but only at the beginning of its path into everyday payments.[12]

[12] Estimates for 2025: $28–62 trillion gross depending on the adjustment method; payments in the real economy accounted for an estimated $350–550 billion of this.

Table 2: The largest stablecoins by market capitalization

Stablecoin	Issuer	Outstanding (USD bn)	Peg	Remark
Tether (USDT)	Tether Ltd. (El Salvador)	183.0	USD	market leader; no MiCAR authorization, hence only restricted trading in the EEA
USD Coin (USDC)	Circle (USA/France)	72.7	USD	regulated in the US and the EU; issuer publicly listed since June 2025
USDS and DAI	Sky (formerly MakerDAO)	14.3	USD	crypto-overcollateralized, decentrally governed
Ethena USDe	Ethena Labs	4.1	USD	synthetic, derivatives-based construction
USD1	World Liberty Financial	4.0	USD	orbit of the US president's family; politically exposed
Global Dollar (USDG)	Paxos (consortium)	3.4	USD	MiCAR-compliant via Paxos Europe
PayPal USD (PYUSD)	Paxos for PayPal	2.8	USD	integrated into PayPal and Venmo accounts
Ripple USD (RLUSD)	Ripple	1.9	USD	focus on bank and payment partners
EURC	Circle	<1	EUR	largest euro stablecoin; MiCAR e-money token

Notes: As of August 21, 2026; outstanding amounts rounded. Total market roughly $290 billion; the two largest titles combine about 88 percent.
Sources: Market aggregators (CoinGecko, DefiLlama, stablecoin.com); own compilation.

Notable, finally, is who has lately been pressing into the market. With the "Open Standard" consortium, Stripe, Visa, BlackRock, American Express, Google, and more than 140 further companies announced a joint stablecoin (Open USD) in June 2026, whose reserve income is to flow back to the participating merchants; banks such as JPMorgan and Société Générale issue their own tokens and tokenized deposits, and PayPal integrates its PYUSD into existing customer accounts. Competition is thus shifting from the crypto scene into the core of the payment system — a clear sign that established finance treats the stablecoin no longer as a curiosity but as infrastructure.[13]

3 Distinctions: Fiat Money, Cryptocurrencies, and Central Bank Digital Money

3.1 Stablecoin and Cryptocurrency: Same Technology, Opposite Purpose

The most frequent confusion concerns the relation to bitcoin and the other cryptocurrencies, for technically the two share the same foundation: balances are kept on a blockchain, transfers are confirmed without a central clearing agent, disposal proceeds

[13] Open Standard: launch announced for late 2026; the interim chief is the co-founder of the stablecoin service provider Bridge, acquired by Stripe for $1.1 billion in 2025.

by cryptographic keys. Economically, however, they pursue opposite ends. Bitcoin is an unbacked scarcity good with a free market price — its buyers seek the price movement. The stablecoin is the exact opposite: it promises the absence of any price movement and draws its value not from scarcity but from backing by conventional assets. More apt than the usual classification among the "cryptocurrencies" is therefore the image of a digital traveler's check on blockchain rails: the payment promise of a private house that avails itself of the technology of the crypto world.[14]

The difference can be quantified. Bitcoin has fluctuated in recent years with annualized volatilities of 40 to 70 percent and in its bear phases repeatedly lost more than 70 percent from its peak; even its passage into institutional hands has changed this only gradually. A regulated dollar token moves in normal times within a band of a few hundredths of a percent around its anchor; its rare outliers — Section 6 treats them — are events of confidence, not market volatility. Whoever calls both "crypto" describes the technology and misses the economics.

From the difference in purpose follows the difference in use. Bitcoin is held, stablecoins are moved: they provide the unit of account of crypto trading, the interim store for trading proceeds, and the transfer medium for payments — whoever declines to bear bitcoin's price risk switches into the stablecoin for the duration of the cash holding. For investors this means: the question "bitcoin or stablecoin?" does not arise as an investment decision — the one is a speculative or store-of-value asset with price risk, the other a payment medium with issuer risk.

3.2 Stablecoin and Fiat Money: A Claim Without a Bank

Subtler is the demarcation from familiar money. "Fiat money" meets the citizen in two forms: as cash — a liability of the central bank — and as a bank deposit, a claim on a commercial bank protected by deposit insurance and banking supervision. The stablecoin is a third form: a transferable claim on a private issuer, backed by its reserve, but without deposit insurance, without central bank access, and outside the banks' payment system. It resembles not so much the checking account as the share in a money market fund that can be passed around like cash — with the essential difference that the yield of the underlying assets stays with the issuer.[15]

The comparison in Table 3 makes the differences visible in detail. Two of them deserve emphasis. First, the legal position in a crisis: the bank deposit is state-guaranteed up to the insurance ceiling; the stablecoin holder is referred to the reserve — the GENIUS Act

[14] In the statistics of the crypto markets, stablecoins nevertheless run as an asset class of their own; their share of total crypto market capitalization is roughly 7 to 8 percent.

[15] MiCAR treats dollar- as well as euro-referenced tokens as e-money tokens and requires, among other things, that at least 30 percent of the reserve be held as bank deposits; the GENIUS Act admits, besides bank balances, only government paper of at most 93 days' residual maturity and comparably liquid assets.

at least grants him priority over all other creditors of the issuer. Second, availability: the deposit rests within the national payment system with its booking hours and borders; the stablecoin moves in seconds across any border — it is, put pointedly, the first form of the dollar that behaves like an e-mail.[16]

Table 3: Forms of money compared: cash, bank deposit, stablecoin, central bank digital money, and bitcoin

Feature	Cash	Bank deposit	Stablecoin	Central bank digital money	Bitcoin
Issuer	central bank	commercial bank	private company	central bank	no one (protocol)
Claim on	—	the bank	issuer or reserve	the central bank	no one
Value anchor	legal tender	redemption 1:1 in cash	peg to a fiat currency	legal tender	free market price
Deposit insurance	n/a	yes (EU: up to €100,000)	no	n/a	no
Interest	no	possible	prohibited for issuers (US, EU)	envisaged: none	no
Availability	physical	bank opening and booking hours	worldwide, around the clock	planned: around the clock	worldwide, around the clock
Legal tender	yes	no	no	yes (envisaged)	no
Holding limits per person	none	none	none	envisaged (digital euro)	none

Notes: Central bank digital money as per the planning status of the digital euro; bitcoin standing in for unbacked crypto-assets.
Sources: ECB (2025); European Union (2023); US Congress (2025); own compilation.

3.3 Stablecoin and Central Bank Digital Currency: Is This "the New Money of the Central Banks"?

The question suggests itself, for both undertakings promise digital money for everyone — the answer is nevertheless no. The stablecoin is private money: the issuer is a company, the claim runs against its reserve, and the state appears only as supervisor. Central bank digital currency (CBDC) would by contrast be a direct liability of the central bank — electronic cash in the literal sense. By the count of the Atlantic Council, well over a hundred central banks are engaged with such projects; so far only small currency areas have introduced one (the Bahamas, Jamaica, Nigeria), China is testing the e-CNY at scale, and the euro area concluded the preparation phase of the digital euro in October 2025: pilot operation from the second half of 2027, possible first issuance in 2029, holding limits per citizen, and no remuneration are envisaged.[17]

[16] The holders' priority follows from the GENIUS Act; MiCAR achieves the comparable result through the insolvency-remote segregation of the reserve from the issuer's property.
[17] For the pilot, the Eurosystem selected 36 payment service providers in July 2026; introduction remains conditional on adoption of the digital euro regulation, expected for 2026.

It is remarkable that the two great currency areas have decided in opposite directions. The United States forbade its own central bank, by executive order of January 2025, to issue a CBDC and bet instead, with the GENIUS Act, on regulated private dollar money; the euro area regulates the private tokens strictly and builds the public counterpart in parallel. Behind both paths stands the same insight in different inflection: money is infrastructure of sovereignty. America uses private issuers as the distribution network of the dollar in the world; Europe fears precisely that network as the gateway of dollarization and wants to defend its currency digitally. The stablecoin, then, is not the new money of the central banks — it is the occasion on which the central banks are thinking about new money.[18]

3.4 Historical Parallels: Free Banking, Money Market Funds, Eurodollars

As new as the technology is, so old is the economics. Gorton and Zhang (2023) point to the American era of free banking (1837 to 1863), when private banks issued their own dollar notes: then as now, everything turned on whether the note is accepted "at par," how good the backing is, and what happens in a run — and then as now the notes of weak houses traded at a discount. The second parallel is the money market fund: an interest-bearing cash product with a fixed share price, which met its crisis in 2008 when the Reserve Primary Fund fell below a dollar ("breaking the buck") and only a state guarantee stopped the general withdrawal. The third parallel, finally, is the eurodollar market — dollar balances outside the United States, born of the same need for state-distant, borderless dollar access that the stablecoin serves today.[19]

These parallels are more than erudition: they are the script of regulation. What the GENIUS Act and MiCAR demand — narrow reserve assets, redemption at par, supervision, disclosure — is the condensed lesson of free banking and of the money-market-fund crisis. For investors they supply at the same time the standard of examination: a stablecoin is as good as its reserve, as safe as its legal framework, and as stable as confidence in both.

[18] Executive order of January 23, 2025 ("Strengthening American Leadership in Digital Financial Technology"); a complementary CBDC prohibition bill passed the House of Representatives in 2025.

[19] Instructive is Eichengreen (2019): historically, private parallel currencies survived durably only where they were embedded in a sovereign order with backing and supervision rules.

4 Uses and Practice

4.1 For Crypto Investors: Cash Management and Trading Currency

The first and still largest circle of users is crypto trading itself. There, stablecoins are the cash box and the unit of account: whoever wants to lock in gains, sit out a downturn, or move between exchanges sells against USDT or USDC rather than against bank money — the transfer takes seconds instead of days, works at night and on weekends, and touches no bank account. As collateral in futures trading and as the base currency of decentralized finance (DeFi), in which assets are lent and exchanged without a bank, dollar tokens are the lubricant of the entire system. Without stablecoins, today's crypto market would not exist in its liquidity.[20]

4.2 For Companies: Payments Without Detours

The second circle of users is growing fastest: companies that move payments across borders. A classic cross-border transfer passes through correspondent banks, takes one to five business days, and costs fees and exchange margins; the stablecoin transfer reaches the recipient in seconds at near-zero cost, regardless of hour or holiday. Correspondingly broad are the fields of use that Table 4 shows by example: from the online merchant accepting USDC via Stripe and Shopify, through the card networks settling interbank balances in USDC, to the down payment on a car — the revived maker DeLorean takes reservations for its Alpha5 electric model against $2,500 in USDC, settled on the Sui blockchain and certificated in a transferable NFT.[21]

[20] Section 4.4 addresses the role as lending stock in DeFi and the returns and risks attached to it.

[21] Surveys suggest that in 2025/26 roughly 13 percent of firms worldwide had used stablecoins; in Brazil, 71 percent of surveyed foreign-trade firms use them for cross-border business.

Table 4: Examples of stablecoin use in practice

User	Use	Details
DeLorean	deposit on a car	reservation of the Alpha5 electric model against $2,500 in USDC on the Sui blockchain; the reservation takes the form of a transferable, resalable NFT
Stripe / Shopify	payment acceptance in e-commerce	acquisition of the stablecoin service provider Bridge ($1.1 billion, 2025); Shopify merchants accept USDC payments
Visa / Mastercard	settlement between banks	settlement of card volumes in USDC; joint "Open Standard" consortium (Open USD) with BlackRock, American Express, and Google, launch late 2026
PayPal	own stablecoin PYUSD	integrated into PayPal and Venmo accounts; first supplier invoice (to EY) settled in PYUSD in 2024
SpaceX / Starlink	repatriation of revenues	reportedly converts revenues from weak-currency countries into stablecoins for repatriation to the United States
Ferrari	car purchase	accepts crypto-assets including USDC for vehicles since 2023 (US, later Europe)
Société Générale-FORGE	bank stablecoins	first major bank to issue its own euro and dollar tokens (EURCV, USDCV) under MiCAR
JPMorgan	tokenized deposits	deposit token JPMD (2025) for institutional clients on a public blockchain
UNHCR	humanitarian payments	disbursement of aid in USDC to displaced persons, redeemable at local money changers

Sources: Company disclosures; press reports 2023 to 2026; own compilation.

What matters economically is less the single example than the pattern behind it: stablecoins are moving from the margin into the settlement layer of the payment system. When Visa and Mastercard settle card volumes between banks in USDC, when Stripe — after the Bridge acquisition — offers merchants stablecoin payments as a standard option and at the same time prepares a consortium token with Visa, BlackRock, and Google, then the stablecoin no longer competes with bitcoin — it competes with interbank payments. The reports that SpaceX repatriates Starlink revenues from emerging markets to the United States via stablecoins show the benefit most clearly where bank routes are slow, expensive, or politically uncertain.[22]

For the corporate treasury there is a further, less visible advantage: settlement without time windows. Treasury departments today manage liquidity along the opening hours of payment systems and correspondent banks; a tokenized dollar knows neither cut-off times nor holiday calendars and can be moved programmatically — for instance, automatically upon receipt of an invoice or confirmation of delivery. The first large corporations are accordingly introducing stablecoins not as a means of payment at the store counter but as an internal settlement medium between subsidiaries and currency areas. It is the same

[22] Visa has settled card balances with partner banks in USDC over the Solana blockchain since 2023; Mastercard runs comparable programs.

development the eurodollar once underwent: first a sideline of trade, then a standard tool of corporate finance.

4.3 For People in Weak-Currency Countries: The Dollar in the Phone

The economically most striking use takes place outside the industrial countries. Where the home currency loses value continuously, the stablecoin is the simplest legal or semi-legal access to the dollar: in Argentina — inflation at its 2023 peak 211 percent — more than 60 percent of crypto turnover falls on stablecoins; in Nigeria, whose naira lost roughly 70 percent against the dollar within two years, they carry the bulk of crypto traffic, and 95 percent of surveyed users prefer payments in stablecoins to the local currency; in Turkey, crypto turnover against the lira doubled in 2024 to roughly $190 billion. Surveys in emerging markets name as the main motive simply "access to US dollars" (47 percent); 39 percent use stablecoins for family remittances, and nearly a quarter receive or pay wages in them.[23]

Workers' remittances — well above $800 billion a year worldwide — are a natural field of use as well: the classic route costs, by World Bank figures, more than 6 percent of the sum on average, and distinctly more for small bank transfers, while the stablecoin transfer stays below one percent and arrives in minutes. Here lies the most tangible welfare gain of the instrument — and at the same time the reason why the central banks of the affected countries watch the creeping dollarization of their economies with growing concern. Section 5 picks up this thread.

4.4 Does the Stablecoin Pay Interest?

The law's answer is unequivocal: no. Both the GENIUS Act and MiCAR forbid the issuer to pay the holder interest or yield for the mere holding — the return on the reserve belongs to the issuer. The legislator thereby means to prevent stablecoins from growing into uninsured quasi-deposits and draining the banks' funding base. In practice the answer is less unequivocal, for interest finds detours: trading platforms pay "rewards" on custodied balances — Coinbase currently about 4.1 percent on USDC, PayPal 3.7 percent on PYUSD — on the reasoning that they are not the issuer; in the DeFi market, stablecoins can be lent at interest; and tokenized money market funds offer the interest-bearing alternative as a product of its own.[24]

For investors it is essential to recognize the nature of these returns: they are not deposit interest but compensation from third parties carrying its own risk. The platform reward can be cut at any time and hangs on the platform's credit; DeFi lending is an unsecured

[23] Survey by Castle Island Ventures and Brevan Howard (2024) among crypto users in five emerging markets; country data after Chainalysis (2025).

[24] The permissibility of such reward programs is contested; the banking associations press for extending the prohibition to distribution partners, so far without success.

or crypto-secured credit business whose double-digit yields showed their true face in 2022 with the collapses of Celsius and FTX; the tokenized money market fund, finally, is simply a security. The sober rule runs: wherever interest is paid on a "stable dollar," an additional risk is carrying it — whoever wants the money market rate without that risk buys the money market fund and not the stablecoin.

4.5 Purchase and Custody

Access today is as simple as buying a security. Table 5 orders the routes: retail investors typically buy stablecoins through regulated trading platforms — in the German-speaking region, for instance, Vienna's Bitpanda, internationally Coinbase or Kraken — and increasingly through payment services such as PayPal or Revolut; corporate clients can mint and redeem directly with the issuer. Within the European Economic Area, MiCAR must be observed: only authorized e-money tokens such as USDC or EURC are freely tradable, while the market leader USDT, lacking authorization, has been delisted for EEA customers by the large platforms.[25]

Table 5: Buying and holding stablecoins

Access	Examples	Characteristics and notes
Crypto exchanges and trading platforms	Coinbase, Kraken, Bitpanda (Vienna), Binance	simplest route for retail investors; in the EEA only MiCAR-compliant tokens (incl. USDC, EURC) freely tradable, USDT restricted
Payment services and neobrokers	PayPal, Revolut	buying and holding in the app; transferability to own wallets restricted depending on provider
Direct purchase from the issuer	Circle Mint	for corporate clients; minting and redemption at par without a trading spread
Self-custody	hardware wallets (Ledger, Trezor); software wallets (MetaMask, Phantom)	full control without platform counterparty risk; loss of the key means total loss; network fees vary by blockchain
Third-party custody	exchange custody; specialized custodians (BitGo, Coinbase Custody); increasingly banks	convenient, but platform counterparty risk (the lesson of the FTX collapse of 2022); prefer regulated custodians
Bank offerings in the German-speaking region	Bitpanda partnerships with Raiffeisenlandesbank NÖ-Wien and LBBW; further institutions in preparation	crypto trading and custody from within the bank account; MiCAR framework

Notes: No claim to completeness; no recommendation of individual providers.
Sources: Provider disclosures; ESMA register; own compilation.

In custody, a basic decision of the crypto market repeats itself. Custody on the trading platform is convenient but subjects the holding to the platform's counterparty risk — the collapse of the FTX exchange in 2022 showed what that means. Self-custody in one's own wallet — for larger amounts on a hardware device — removes that risk and at the same

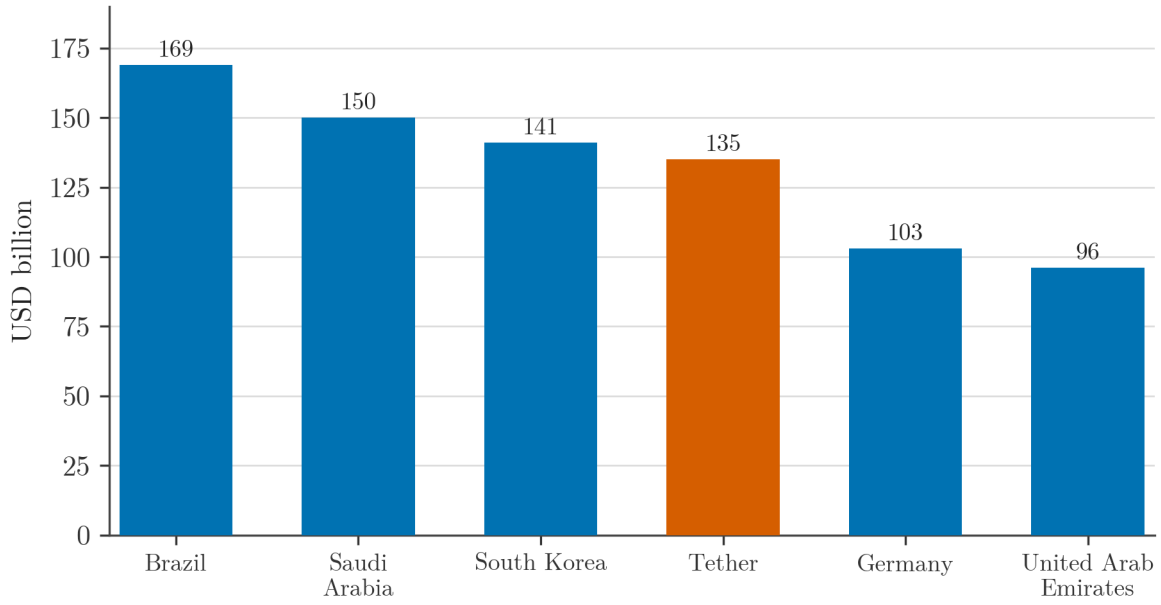
[25] Coinbase removed USDT from its EEA offering in December 2024, Binance in March 2025; as of mid-2026 nine e-money tokens were authorized, among them USDC, EURC, EURCV, and USDG.

time makes the holder his own security officer: whoever loses the key loses the holding; there is no recovery. In between grow the offerings of regulated custodians and increasingly of banks, which integrate crypto custody into the familiar account. For amounts of consequence the same care applies as for any asset: regulated provider, segregated custody, documented access — and no lasting concentration on a single platform.

5 Macroeconomic Effects: Money, Interest, and Inflation

5.1 Stablecoins as Creditors of the American State

The most direct macroeconomic effect follows from the backing rule: every stablecoin dollar issued must be invested in bank balances or short-dated US government paper — the growth of the market is thus, of necessity, demand for American sovereign debt. Figure 2 shows the magnitude: Tether alone most recently held roughly $135 billion in Treasuries, more than Germany or South Korea; among all holders in the world the company ranks roughly seventeenth, and its declared aim is to overtake Brazil. Adding Circle and the smaller issuers, the sector already binds a stock of more than $250 billion in short-dated US debt. One qualification belongs here at once, because it is usually missing from the public debate: only the part of the reserve placed in government paper generates additional demand for sovereign debt; the part held in bank balances merely reshuffles existing deposits and lets the effect lapse. How large that part may be thus decides the strength of the entire mechanism — and the two jurisdictions decide it very differently (Section 5.4).[26]



[26] Roughly 80 percent of the Tether reserve consists of US government securities (directly and via repurchase agreements and money market funds); attestation as of June 30, 2026.

Figure 2: Holdings of US Treasury securities of selected holders at year-end 2025, in USD billion; Tether according to company disclosures of October 2025 (roughly $135 billion including indirect holdings). Sources: US Department of the Treasury (TIC); Tether; own presentation.

Precisely here lies the strategic point of the GENIUS Act — and the answer to the question of whom the stablecoin serves. Washington has legalized a product that collects private dollar demand worldwide and channels it, by mandate, into the financing of the American budget: the Treasury reckons in its own projections with a stablecoin market of roughly $2 trillion by 2028, and market estimates reach $3.7 trillion by 2030 — magnitudes at which the sector would become one of the most important creditors of the United States. At the same time, every stablecoin abroad extends the dollar's reach: it dollarizes savings and payments in emerging markets without a single American bank being involved. The question "whom is the stablecoin for?" thus has a double answer: for its users, as a means of payment — and for the United States, as an instrument of finance and currency power.[27]

5.2 The Effect on Interest Rates: Measurable at the Short End

That this demand moves prices is by now empirically established. Ahmed and Aldasoro (2025) show, using the flows into and out of the large stablecoins, that an inflow of $3.5 billion — a typical strong weekly move — lowers the yield of three-month US Treasury bills by roughly 4 basis points within ten trading days, with a peak effect of about 5 basis points; the effect remains confined to short maturities and strengthens in periods of market stress. That sounds modest but is remarkable: a private payment product has become an independent demand factor in the most important money market in the world — with the corollary that large redemptions in a crisis would press on the same market at precisely the moment when other investors, too, are fleeing into liquidity.[28]

5.3 Effects on Banks, the Money Stock, and Inflation

For banks, the stablecoin is a new competitor for the deposit. When a balance migrates from the checking account into a dollar token, the bank loses funding for its lending, while the issuer places the countervalue in government paper — economy-wide, the use of funds shifts from private credit to state finance. Liao and Caramichael (2022) described this displacement early; the American banking associations, citing it, warn of possible deposit outflows in the trillions should interest-bearing workarounds — Section 4.4 — catch on.

[27] Projection of the US Treasury working group (TBAC, April 2025): roughly $2 trillion by 2028; Citigroup (2025): $1.6–3.7 trillion by 2030 depending on scenario.

[28] Ahmed and Aldasoro (2025), BIS Working Paper No. 1270; the authors speak of effects resembling small central-bank asset-purchase programs.

For now the stock of roughly $290 billion is small beside some $18 trillion of American bank deposits; the growth rates are not.[29]

On the money stock and inflation of the industrial countries the stablecoin has so far had little effect, and the reason lies not in the size of the market but in the design of the product: the issuer can put out a token only after it has received money for it. It therefore creates no additional money but changes its form — a bank deposit becomes a tokenized claim whose backing remains in the circuit as demand for government bonds. This constraint hangs on the duty to redeem: as long as every token is a claim redeemable at par on demand, it returns to the issuer as a claim, and the issuer remains an administrator of other people's money — however large the circulation grows. Two stages must therefore be distinguished which the debate regularly runs together. Broad acceptance in payments, that is, the use of the token as an everyday means of payment, changes nothing in the constraint; it grants the issuer at most what a bank also has, and that remains disciplined by the duty to redeem. Only acceptance in final settlement — the discharge of taxes and bank obligations in the token itself — would remove the duty to redeem and with it the constraint. Summer (2026) works out this difference; for the reader it is the decisive dividing line, because it shows that the threshold is not market size but a change of layer which today is neither provided for in law nor in prospect. Matters differ in the emerging markets where the stablecoin genuinely assumes currency functions: there it accelerates currency substitution, weakens domestic monetary policy — whoever saves and pays in dollars is beyond the reach of the home central bank's policy rate — and in effect exports American monetary policy into countries that did not choose it. Dollarization, historically a matter of banknotes under the pillow, now runs over the mobile phone.

There remains the fundamental question of whether the stablecoin is "money" in the full sense. The Bank for International Settlements denies this in its 2025 annual report with a test that points beyond the individual case: good money requires singleness (every dollar is at all times equal to every other — stablecoins of different issuers, by contrast, trade at slightly different prices), elasticity (the money supply expands at need — a rigid full backing cannot do this system-wide), and integrity of settlement. Private tokens meet these requirements only approximately; they are, on this reading, excellent payment vehicles built on the foundation of sovereign money, but no substitute for its core. For investors this is no academic nicety: it explains why the token remains functionally superior to the account yet legally subordinate to it.[30]

5.4 The Response of the Other Central Banks

[29] The interest prohibition of the GENIUS Act is motivated precisely as protection of the deposit base; the debate over the platforms' "reward" programs is therefore no side issue of regulatory policy.

[30] BIS Annual Economic Report 2025, chapter III; there also the counter-design of a "unified ledger" of tokenized central-bank and commercial-bank money.

Do other central banks "also have stablecoins"? Not in the literal sense — central banks issue no stablecoins, for their money needs no anchor to itself. Their answers run along two other paths. The first is regulation of private tokens: the European MiCAR (in force since 2024) was the first comprehensive framework worldwide; Hong Kong has followed since August 2025 with a licensing regime (first licenses in April 2026 to a bank consortium and HSBC), Singapore since July 2026; Japan admits yen tokens only from banks and trust companies; South Korea passed a framework statute for digital assets in July 2026; and the United Kingdom brings its regime into force by October 2027. The European rule contains here a peculiarity with a monetary side effect that is seldom noticed: Article 54 MiCAR requires the issuer of a euro e-money token to hold at least 30 percent of the funds received as deposits with credit institutions, 60 percent for significant tokens; only the remainder may go into government paper. The share backed by government paper is thus capped by construction at 70 and 40 percent respectively, and the mechanism described in Section 5.1 works in Europe only on that share. Where the American reserve menu steers issuers into the fully effective configuration, MiCAR throttles it — out of prudential intent, not monetary, but with monetary consequence (Summer 2026). The price is that bank credit risk enters the backing of the token: it was precisely this path that produced the price deviation of USDC in March 2023 (Section 6.1). The second path is central bank digital money of one's own — from the Chinese e-CNY to the digital euro with pilot operation from 2027 — conceived expressly also as protection of the home currency against private dollar competition.[31]

Taken together, a remarkable picture of the monetary order of the coming decade emerges: private dollar money under American federal supervision as the world's payment medium; regulated e-money and a public digital euro in Europe; bank tokens in Asia. The stablecoin has thereby achieved what decades of reform debates could not: it has reopened the competition of currencies and payment systems — not as the disappearance of sovereign money, but as competition over its digital form.

6 Opportunities and Risks for Investors

6.1 The Stability of the Peg: What De-Peg Events Teach

The core promise — one token equals one dollar — is no constant of nature but is tested daily in the market. Figure 3 and Table 6 assemble the most instructive tests, and their lesson is differentiated. Backed stablecoins have so far survived crises of confidence: USDT slipped in 2018, and again in the Terra environment of 2022, to around $0.95 at times, but honored redemptions of more than $10 billion within days; USDC fell in March 2023 to

[31] For the transition, the Bank of England is even weighing caps on individuals' holdings of systemic sterling stablecoins — a testament to how seriously deposit migration is taken.

roughly \$0.88 when \$3.3 billion of its reserve froze in the collapse of Silicon Valley Bank — and returned to par within days of the state deposit guarantee. The unbacked TerraUSD, by contrast, plunged below ten cents within a week in May 2022 and destroyed roughly \$40 billion; with its sister currency Luna and the ensuing insolvencies the damage multiplied.[32]

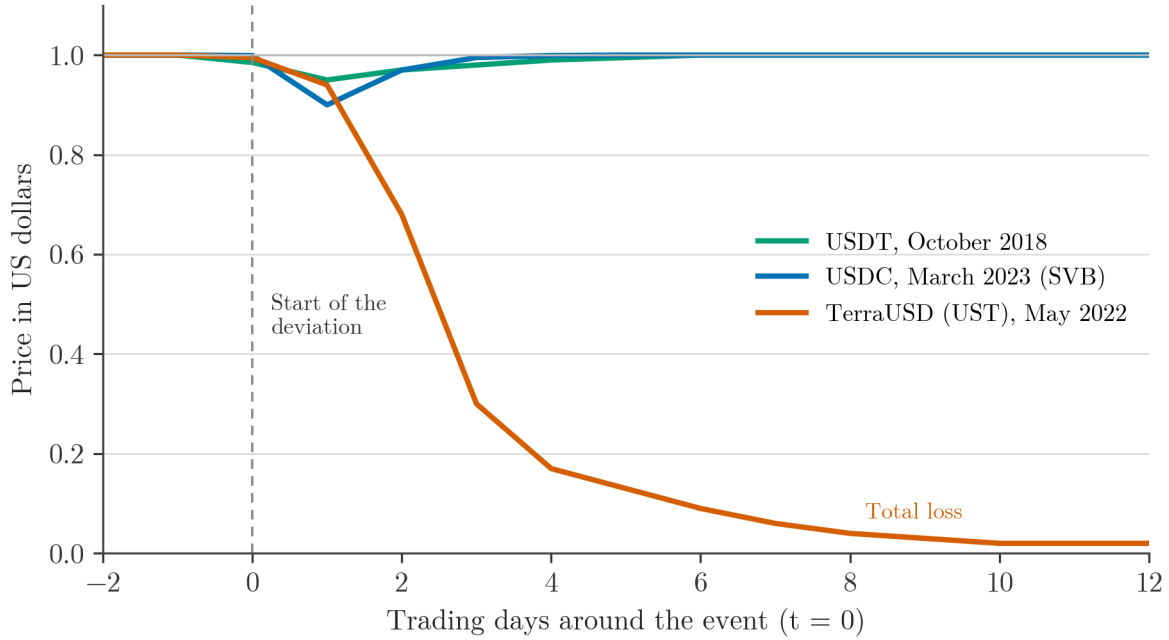


Figure 3: Price paths of selected stablecoins around the onset of a deviation (t = 0): USDT in October 2018, USDC in March 2023 (collapse of Silicon Valley Bank), and TerraUSD in May 2022. Daily values, partly rounded. Sources: market data providers; own presentation.

Table 6: Selected de-peg events and their outcomes

Event	Date	Trough	Outcome
USDT under redemption pressure	Oct 2018	≈\$0.95	recovery within days; the question of backing remained
TerraUSD (UST), algorithmic	May 2022	<\$0.10	total loss of roughly \$40 billion within a week; chain reaction reaching the collapses of Celsius and FTX
USDT in the Terra environment	May 2022	≈\$0.95	redemptions above \$10 billion honored; rapid recovery
USDC after the SVB failure	March 2023	≈\$0.88	\$3.3 billion of the reserve frozen at Silicon Valley Bank; recovery within days after the state deposit guarantee

Notes: Troughs differ by trading venue; rounded.
Sources: Market data providers; press reports; own compilation.

[32] The Terra collapse triggered the insolvencies of Celsius, Voyager, and Three Arrows Capital and prepared the FTX collapse of November 2022; the founder was convicted in the United States in 2024.

From these experiences follows the most important rule of thumb of investment practice: de-peg risk is a backing and confidence risk, not a technology risk. A regulated token fully backed by short-dated government paper can deviate briefly from its anchor when doubts arise about reserve or redemption; an unbacked token can vanish. Between "0.95 for days" and "zero forever" lies the entire difference between the construction types of Table 1 — which is why the examination of the backing precedes every other criterion.[33]

6.2 Issuer, Reserve, and Legal Risks

Behind the anchor stands a company, and with it a set of classic creditor risks. The reserve may be worse than claimed — the market leader's history contains a chapter of its own on this: Tether paid settlements and fines in the United States in 2021 because the backing was at times composed otherwise than publicly represented, and to this day it presents quarterly attestations but no full audit. Redemption may be restricted — minimum amounts, fees, deadlines; in periods of stress the GENIUS Act even permits an orderly stretching. And in insolvency, the legal order decides: the American statute gives stablecoin holders priority over all other creditors, MiCAR requires insolvency-remote segregation of the reserve — whoever holds tokens of an unregulated offshore issuer holds, in the emergency, an unsecured claim on a company beyond his legal reach.[34]

Added to this is a risk unknown to bank customers: freezing by the issuer itself. The large dollar tokens contain blocking functions by which individual addresses — on official order or sanctions lists, for instance — are frozen; both large issuers have used them many times. What serves the fight against money laundering means, for the holder, that his "self-custodied" tokens stand in the end under the issuer's proviso. Together with the complete, permanent visibility of all movements on the blockchain, this considerably tempers the popular notion of anonymous, state-remote crypto money.

Finally, the technology and custody risks, which concern not the token itself but its path to the holder. Crypto exchanges and bridge protocols between blockchains have remained rewarding targets — the theft of roughly $1.5 billion from the Bybit exchange in February 2025 was the largest in history — and on the user side, phishing, counterfeit wallets, and simply lost keys are the most frequent causes of loss. The stablecoin inherits these risks of the crypto world in full, although its value has nothing to do with them. The remedies are known and effective: regulated venues, hardware custody with a secured key procedure for larger balances, test transfers before large amounts, and the strict separation of trading and custody balances.[35]

---

[33] Lyons and Viswanath-Natraj (2023) show empirically that broad access to redemption dampens deviations — an argument for tokens with open minting and redemption.

[34] Tether has been domiciled in El Salvador since 2025; for EEA investors the lack of MiCAR authorization means, beside the delisting, that the regulation's protective provisions do not apply to the token.

[35] By industry counts, crypto assets worth more than $2 billion were stolen in 2025; the Bybit case is attributed to the North Korean Lazarus group.

6.3 The Comparison with Fiat Money

Table 7 draws the balance of the comparison asked for at the outset: where do the opportunities and risks of the stablecoin lie against familiar money? The result can be anticipated in one sentence: the stablecoin beats fiat money wherever money moves — and is beaten by it wherever money rests.

Table 7: Opportunities and risks of the stablecoin compared with fiat money

Dimension	Opportunity of the stablecoin	Risk compared with fiat money
Payments	worldwide transfer in seconds, around the clock, at costs mostly below one percent	mistaken transfers are final; no chargeback, no counter, no advice
Access	only a smartphone and wallet needed; open to people without a bank account	own responsibility for keys and technology; fraud and operating errors fall on the user alone
Value stability	stable dollar anchor — in weak-currency countries the most effective everyday inflation protection	issuer and reserve risk; deviations up to total failure (TerraUSD); no deposit insurance
Return	indirect returns possible via platform rewards, lending, or tokenized money market funds	issuer interest legally prohibited; every interest detour bears its own counterparty or credit risk; bank deposits pay interest and are insured
Legal position	full reserve backing, redemption at par, holders' priority in issuer insolvency (GENIUS Act)	not legal tender; acceptance voluntary; enforcement against foreign issuers difficult
Control	self-custody without a bank possible	issuers can freeze addresses; platform failures (FTX) strike custodied balances
Privacy	no bank account required; pseudonymity	all movements permanently public; analyzability far exceeds bank secrecy

Sources: Own compilation based on Sections 2 to 5.

In movement lies the opportunity: speed, cost, availability around the clock, independence from bank routes — in weak-currency countries additionally the dollar anchor itself, which preserves more purchasing power there than any local savings product. In rest lies the risk: no deposit insurance, no issuer interest, but issuer, reserve, custody, and freezing risks unknown to the bank account. This asymmetry also answers the portfolio question: the stablecoin is a payments and settlement medium — as such superior to bank routes in speed and cost — but no savings product; for resting liquidity, the insured account and the money market fund remain the first choice.[36]

This also answers the question of suitability by investor group. For the crypto investor the stablecoin is simply indispensable — as cash box, collateral, and unit of account of his market. For the internationally active entrepreneur and for payments with emerging markets it is a serious tool that saves cost and time, provided accounting, tax, and anti-money-laundering duties are properly set up. For the classic private investor in the euro

[36] Deposit insurance in the EU covers €100,000 per customer and institution; for stablecoins no comparable public safety net exists.

area, finally, it is for now above all a subject of knowledge: his checking account is insured and his money market fund pays interest — the token offers him little in daily life that outweighs both. Whoever uses it nonetheless should follow the ground rules of Sections 4.5 and 6.2: regulated tokens, regulated routes, moderate amounts, documented custody.[37]

7 Conclusion and Outlook

The questions posed at the outset can now be answered in sequence. The stablecoin was invented in 2014 within the crypto scene — as BitUSD of the BitShares developers and as "Realcoin," the later Tether, of the entrepreneurs Pierce, Collins, and Sellars — not by states or banks. Its original purpose was the stable-value cash management of crypto trading; out of this has grown a general medium of payment and settlement. It works as a fully backed claim on a private issuer, redeemable at par on demand, whose business model consists in the retained interest on the reserve. Its benefit lies, for private investors, in the fast, cheap, and uninterrupted availability of a dollar balance; for companies, in cross-border payments; for people in weak-currency countries, in everyday inflation protection.[38]

From fiat money it is distinguished by its legal nature — a private claim rather than an insured deposit or a central-bank liability —, from bitcoin by its opposite purpose: price stability instead of price speculation. The new digital money of the central banks it emphatically is not; it is at once their private forerunner and their competitor, to which the central banks respond with regulation (MiCAR, the frameworks in Hong Kong, Singapore, Japan, South Korea, and London) and with projects of their own such as the digital euro — while the United States has chosen the opposite direction: prohibition of its own central bank currency, federal law for the private tokens. Macroeconomically the sector measurably supports demand for short-dated US government paper, shifts funding from the banks to the state, and accelerates dollarization in emerging markets; its effect on the interest rates and inflation of the industrial countries, by contrast, remains bounded as long as the token is a redeemable claim — it hangs not on the size of the market but on a change of layer which today does not take place.

For asset management a clear order follows. The stablecoin is a tool of paying and settling, not an investment product: uninterest-bearing at the issuer, uninsured compared with the bank deposit, yet unmatched in speed and cost of transfer. Whoever uses it should choose regulated, fully backed tokens (in the EEA the MiCAR-authorized ones, in the United States in future the GENIUS-licensed ones), examine reserve reports and redemption terms, keep holdings of consequence on regulated routes or in a hardware wallet of his own, and treat every offer of interest as what it is: an extension of credit with its

[37] On tax treatment in the German-speaking countries: disposals of stablecoins are crypto-asset transactions and can trigger reporting duties despite the peg; the details exceed the scope of this paper.

[38] The collection of examples runs from the DeLorean deposit in USDC through the card networks' USDC settlement to the humanitarian disbursements of the UNHCR; see Table 4.

own risk. Larger resting liquidity belongs, as before, in the insured account or the money market fund — not in the token.[39]

The outlook: the growth projections — $2 trillion by 2028 in the US Treasury's reckoning, up to $3.7 trillion by 2030 in market scenarios — appear attainable given the tailwind of legislation, consortium projects such as Open USD, and the integration into PayPal, Visa, and Stripe, but they rest on one condition: that the next test of confidence passes off as lightly as the previous ones of the backed tokens. A default of a large issuer would by now strike the money market itself. For Europe the decisive question is whether the digital euro and competitive euro tokens arrive before the continent's payments habituate themselves to private dollar money. One limiting case should be named expressly at the close, because in discussion it is regularly confused with ordinary inflation: were a private token ever accepted in final settlement — for taxes and bank obligations — the consequence would be no higher inflation figure but the loss of the anchor itself; the price level would then be indeterminate and no longer computable (Summer 2026). That this case does not arise today is no law of nature but the result of rules in force — and precisely for that reason those rules are, for the investor, more than bureaucracy. Investors who follow this development are watching not a crypto fashion but the re-surveying of the monetary order — and are well advised to understand it before they use it.[40]

[39] As a reminder of proportions: the platforms' reward of roughly 4 percent corresponds almost exactly to the money market rate — it thus compensates the platform and issuer risk assumed, no more.

[40] The next waypoints: entry into force of the GENIUS Act on January 18, 2027; the launch of the Open USD consortium; the MiCAR review after the 2026 consultation; and the digital euro pilot from 2027.

References

Ahmed, R., Aldasoro, I. (2025). Stablecoins and safe asset prices. BIS Working Paper No. 1270. Basel: Bank for International Settlements.

Aldasoro, I., Mehrling, P., Neilson, D.H. (2023). On par: A money view of stablecoins. BIS Working Paper No. 1146. Basel.

Aldasoro, I., et al. (2025). Stablecoin growth — policy challenges and approaches. BIS Bulletin No. 108. Basel.

Atlantic Council (2026). Central Bank Digital Currency Tracker. Washington.

Auer, R., Böhme, R. (2020). The technology of retail central bank digital currency. BIS Quarterly Review, March, 85–100.

Bank for International Settlements (BIS) (2025). Annual Economic Report 2025, Chapter III: The next-generation monetary and financial system. Basel.

Bank of England (2025). Proposed regulatory regime for sterling-denominated systemic stablecoins. Consultation paper, 10 November 2025. London.

Castle Island Ventures, Brevan Howard Digital (2024). Stablecoins: The Emerging Market Story. Data by Artemis, supported by Visa Crypto, 12 September 2024. Cambridge, MA.

Catalini, C., de Gortari, A., Shah, N. (2022). Some simple economics of stablecoins. Annual Review of Financial Economics, 14, 117–135.

Chainalysis (2025). The 2025 Geography of Cryptocurrency Report. New York.

Citigroup (2025). Digital Dollars: Banks and Public Sector Drive Blockchain Adoption. Citi GPS, April 2025. New York.

Eichengreen, B. (2019). From commodity to fiat and now to crypto: What does history tell us? NBER Working Paper No. 25426. Cambridge, MA.

European Central Bank (ECB) (2025). Preparation phase of a digital euro — closing report. Frankfurt am Main, October 2025.

European Union (2023). Regulation (EU) 2023/1114 on markets in crypto-assets (MiCAR). Official Journal of the European Union, L 150.

Federal Register (2026). GENIUS Act Regulations on Payment Stablecoin Issuance, Offer, and Sale (Proposed Rule, U.S. Department of the Treasury), 91 FR 53368, 18 August 2026. Washington.

Financial Stability Board (2023). High-level Recommendations for the Regulation, Supervision and Oversight of Global Stablecoin Arrangements. Basel.

Gorton, G.B., Zhang, J.Y. (2023). Taming wildcat stablecoins. University of Chicago Law Review, 90(3), 909–971.

Griffin, J.M., Shams, A. (2020). Is Bitcoin really untethered? Journal of Finance, 75(4), 1913–1964.

Hong Kong Monetary Authority (2025). Implementation of regulatory regime for stablecoin issuers. Press release, 29 July 2025. Hong Kong.

Liao, G., Caramichael, J. (2022). Stablecoins: Growth potential and impact on banking. International Finance Discussion Papers No. 1334. Washington: Federal Reserve Board.

Lyons, R.K., Viswanath-Natraj, G. (2023). What keeps stablecoins stable? Journal of International Money and Finance, 131, 102777.

Makarov, I., Schoar, A. (2022). Cryptocurrencies and decentralized finance. Brookings Papers on Economic Activity, Spring, 141–215.

Monetary Authority of Singapore (2023). MAS Finalises Stablecoin Regulatory Framework. Media release, 15 August 2023. Singapore.

Summer, M. (2026). Stablecoins, Inflation and the Settlement Hierarchy. OeNB Working Paper No. 280. Vienna: Oesterreichische Nationalbank.

Tether International (2026). Independent Accountant's Report and Consolidated Reserves Report as of June 30, 2026 (BDO). El Salvador.

US Congress (2025). Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act), federal statute of July 18, 2025. Washington.

US Department of the Treasury (2025). Digital Money — Presentation to the Treasury Borrowing Advisory Committee. Washington, April 2025.

US Department of the Treasury (2026). Treasury International Capital: Major Foreign Holders of Treasury Securities. Washington.

World Bank (2025). Remittance Prices Worldwide. Washington.